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DDA Memo, 4 Apr 77

Auth: DDA REG. 77-1763

CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

FD 177
25X1

Date: 2/10/3/78

25X1

COUNTRY Czechoslovakia

~~CONFIDENTIAL~~

DATE: 25X1

SUBJECT Effects of Nationalisation on Metal Industry

INFO.

DIST. 2 December 1946

PAGES 3

SUPPLEMENT 25X1

25X1 **ORIGIN**

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letter of 13 October 1978 from the
Director of Central Intelligence to the
Director of Defense Intelligence Agency.

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1. The nationalization of industry and the initiation of a new social order for the population has brought about a whole set of new financial burdens and additional expenses for the industry of the country which it did not carry before the war. According to a rough estimate, the current financial burden including the new expenses in the metal industry amounts to eight times the sum which the shareholders and directors received in dividends and fees under private enterprise before the war.
2. The following is a list of new financial burdens which the industry was not obliged to carry before the war:
 - a. Payment of 4% of the total wage and salary payroll as a contribution to the fund for family benefit payments of the "sickness insurance company". This contribution constitutes in actuality 10% of all productive wages, and this expense may not be included in the price of industrial products.
 - b. A special contribution of Kcs. 2 per worker-hour in mines, blacksmith shops, and boilerships to the Ministry of Social Welfare. This expense may not be included in the price of the product.
 - c. More vacations for workers:
 - (1) Wages for 13 days. (Before the war the paid leave for workers was 8 days. The average leave taken to-day by workers is three weeks per year and in some instances four to five weeks.)
 - (2) On the above basis of three weeks' actual absence from work, a factory incurs the additional expense of covering 11 days' overhead expense. It is estimated, therefore, that the additional expense through longer and higher paid leaves for workers amounts to 22% of the productive wages in industry.

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- d. Paid holidays: Seven additional days as paid holidays have been added to the ones established before the war. The additional expense incurred thereby amounts roughly to 18% of the productive wages in industry. (It is estimated that one paid holiday costs the state 250-300 million Kcs on the basis of 1.1 million employed workers.)
- e. Higher contributions to the "economic groups" which have taken the place of the former "association of manufacturers."
- f. Christmas bonuses: For workers this amounts to the one week's salary; for white-collar workers, $\frac{1}{4}$ month's pay.
- g. Proportional reimbursement of the overhead expenses of the central offices of the nationalized industry.
- h. Extraordinary expenses for research for the benefit of the state (salary and wage catalogs, sundry statistics, salaries of special experts of individual industrial groups).
- i. Loss of interest from frozen and non-interest paying bank deposits. In place of the frozen cash balances, industrial concerns are now required to make commercial loans with interest payments for their working capital.
- j. Benefit payments to workers during their military service (for workers, 4 weeks' pay; to white-collar employees, one month's salary). In addition to these expenses, industrial enterprises are required to pay soldiers' families a small allowance for the whole period of his military service.
- k. Special payments to workers to make up for the difference from former pay in case he has been placed in a lower job classification.
- l. Installation charges for national life insurance for workers.
- m. Higher payments to apprentices during their period of learning.
- n. Expenses for factory and workers' councils. (There are now larger expenses and a greater loss of time than for similar councils before the war.)
- o. Salary payments to factory police.
- p. Increased salary payments through upgrading of employees in the personnel department of factories.
- q. Expenses in connection with the establishment of new departments in factories dealing with social matters, recreation, housing allocation, cultural education, and sports.
- r. Allocation committees for the establishment of priorities for the distribution of raw materials, building construction, etc.
- s. Time consumed for the preparation of reports for various control offices.
- t. Time consumed in factory and worker council meetings, travel by factory personnel to the central offices, etc.

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3. The additional operating expenses in industry above described give in broad outlines the major fields which have added the very large increase in operating costs; however, there are many smaller activities not mentioned here which consume additional sums of money.

4. These large additional operating expenses and the fact that they are not compensated for by substantial operating advantages constitute, [redacted] the greatest threat to the success of the nationalization program. [redacted] it would require at least 50% greater worker efficiency over pre-war standards to make up for the additional expenses. However, it is a well-known fact that present worker efficiency in industry is far below the pre-war standard.

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5. At a recent official meeting of executives and representatives of workers of the metal industry, Farbinger, general manager for this industry, announced that the financial loss of the whole metal industry for the last fiscal year amounted to five billion Kcs. and for all Czechoslovak industries together to 120 billion Kcs. (These figures have not been published in any official publication as yet.) At the same time Farbinger gave worker representatives a note of warning by stating that, in the future, interference by workers and factory councils would not be tolerated and that decisions made by factory managers would be final and not subject to review by worker organizations.

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